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ACN 114 198 471

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## **INTERIM FINANCIAL REPORT**

**HALF YEAR ENDED 31 DECEMBER 2016**

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## **AUSTIN EXPLORATION LIMITED**

### **DIRECTORS' REPORT**

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Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2016.

#### **DIRECTORS**

The names of each person who has been a Director during the half-year and to the date of this report are:

Dr William Mark Hart (Retired 1 October 2016)

Mr Tim Hart (Appointed MD and CEO 1 October 2016)

Mr Guy Thomas Goudy (Executive Chairman)

Mr Stuart Middleton (Non-Executive Director)

Mr Andrew Blow (Appointed Non-Executive Director as of 15 August 2016)

#### **COMPANY SECRETARY**

Mr Robert Lees is the Company Secretary.

#### **OPERATIONS AND ACTIVITIES**

##### **Half-Yearly Highlights**

- **First commercial oil production achieved in Colorado with Magellan #1 well. Initial production rate of 98 barrels per day of oil were recorded, as well as very encouraging gas flows.**
- **Oil discovery confirmed a material extension of the 16 million barrel adjacent Florence Oil Field.**
- **Completed successful drilling of a back-to-back three-well program targeting production from the Pierre formation. The wells were operated and drilled by Austin's team on budget for approximately US\$1.5 million in the prolific DJ Basin.**
- **Hydrocarbons were evident in all three wells drilled.**
- **The oil being produced from the Pierre formation is a high-quality, light sweet crude with a API gravity of 35 – 37 and sulfur < 0.1%.**
- **A Significant Pathfinder project expansion has commenced with acquisition of neighboring adjacent oil and gas field in Colorado.**

## AUSTIN EXPLORATION LIMITED DIRECTORS' REPORT (Cont.)

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- **Gustavson Associates' independent oil and gas resources report estimates the Colorado property to hold more than 30 million barrels of oil and 187.4 billion cubic feet of gas (p90 = 90% probability).**
- **Gustavson's reserves report assigns maiden oil and gas reserves at the Pathfinder Project Colorado over 1,800 acres only. The reserve values total 1.148 Million Barrels of Oil, 451 Million Cubic Feet of Gas, Net Present Value = US\$16.091 (approx. 11% of current project size).**
- **The Company has entered into a Gas Sales MOU for the Pathfinder project.**
- **Production success has established first proved oil reserves, which are bankable and a significant step forward for the long-term and full-scale production of the Pathfinder project.**

**Austin Exploration Limited ("Austin" or "the Company") (ASX: AKK)** is an oil and gas exploration and production company with working interests and net revenue interests in three proven US oil and gas provinces: Colorado, Kentucky and Texas. Austin is the operator of its Colorado and Kentucky projects.

Austin is proud of its outstanding safety and environmental record, with only one lost-time accident and zero environmental incidents in 10 years of operations.

In a year that saw the oil price fall to \$26p/bbl., which forced more than 200 North American oil and gas companies file for bankruptcy, Austin finished 2016 with no debt, expanded its flagship property in Colorado to 15,773 acres, and achieved first production success with its Colorado drilling campaign.

The first six months of the 2017 fiscal year was a very busy and successful period for the Austin that saw a tremendous amount of progress. The Company's successful drilling campaign in Colorado, where the Company confirmed an active petroleum system extends over Austin's Pathfinder property, has positioned the Company for significant future growth.

The Company's aggressive exploration campaign has significantly de-risked the properties exploration profile and paves the way for the Company to swiftly transition to a full-scale oil and gas development program starting in 2017.

The Company completed a successful back-to-back three-well program targeting oil from the Pierre formation. These wells were drilled internally and on-budget by Austin's team and all three wells intersected significant volumes of hydrocarbons.

## **AUSTIN EXPLORATION LIMITED**

### **DIRECTORS' REPORT (contd.)**

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The first well drilled, the Magellan #1, is now in production and has provided a boost to cash flows. The second and third wells, the Marco Polo #1 and the Columbus #1, have both intersected significant pockets of gas, and Austin's engineers are currently flaring the gas to bleed off high gas pressures.

The gas volumes emanating from Marco Polo #1 and Columbus #1 are highly encouraging and potentially an early indication that oil reserves remain in virgin territory.

To further understand the reservoir characteristics and capabilities, the Company engaged Weatherford Laboratories to complete a highly-advanced analysis of cuttings collected from the Pierre formation during drilling.

The results of the Weatherford Source Rock Analysis program pyrolysis concluded that there is a strong correlation between the Austin acreage to the West and the acreage at the heart of the existing oil field, which has produced 16.4 Million Barrels.

The geochemical analysis, which studied 100 samples of cuttings that were collected during drilling operations on the Magellan #1, the Marco Polo #1 and Columbus #1 wells, concluded that the Pierre formation in section 18 has reached the onset of petroleum generation, and the maturity values are increasing as the field moves towards the west. This indicates a higher likelihood of increased oil production as the field moves westwards towards the Pathfinder project.

On the back of this exploration success, world-renowned engineering firm Gustavson Associates completed the Company's maiden VALMIN Reserves and Resources report over the Pathfinder project.

Independent Oil and Gas Resources over Austin's 15,773 acre Pathfinder project estimates the property to hold more than 30 million barrels of oil and 187.4 billion cubic feet of gas (p90 = 90% probability).

In a material development for Austin, the Company was assigned its first in-ground oil and gas reserves totaling 1.148 Million Barrels of Oil and 451 Million Cubic Feet of Gas with an undiscounted Net Present Value of US\$16.091 million.

These calculations were limited to a total area of 1,800 acres where drilling activity has occurred and real production data and reservoir drainage volumes could be obtained. These oil and gas reserves represent only 11% of the total 15,773 acre property, which is due to a limitation of production data as only four wells have been drilled on a property that is large enough to accommodate more than 400 wells.

The Company was extremely pleased to announce in December that it had entered into an agreement with Incremental Oil and Gas Ltd to acquire Incremental Oil and Gas (Florence) LLC, which includes 100% of its 2,436 acre Florence Oilfield acreage and oil production in Colorado for US\$2 million.

The Company executed the Purchase and Sales Agreement in early March and a US\$200,000 deposit has been paid with the balance of the sales price to be paid at closing. The effective date of this transaction is December 31, 2016 with a closing expected to occur by the end of April.

## **AUSTIN EXPLORATION LIMITED**

### **DIRECTORS' REPORT (contd.)**

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Current production is approximately 52 barrels of oil per day from the Pierre formation. The acquisition includes an extensive amount of scientific data and intellectual property including seismic, mud logs, camera logs, sonic logs, electric logs and geophysical analysis.

This acquisition illustrates Austin's focus to the growth and expansion its world class Pathfinder property in Colorado as the Company moves towards a large 20,000 acre position in Fremont County. Not only will this acquisition enable Austin to accelerate the development of the field, but will also save the Company millions of dollars in scientific and operational costs. Austin is acquiring the assets on highly attractive terms. The property was acquired by Incremental in July 2012 for US\$12.25m. Due Diligence is ongoing and is progressing smoothly.

Finally, the Company is highly encouraged to have entered in to a Memorandum of Understanding (MOU) with Lionheart Refining & Recycling LLC to sell and supply natural gas to a clean tech turbine system, which will convert natural gas produced by Austin at its Colorado Pathfinder project into electricity. Under the MOU, Lionheart would fund and operate the turbines.

Austin was approached due to a power shortage that has been created by the rapid growth of legalised marijuana farming in south-eastern Colorado, where Austin's Pathfinder property is located. Austin's Pathfinder property is ideally located to supply energy to this rapidly expanding market.

Upon successful execution, this material agreement will create a sales channel for the large volumes of gas that the field is capable of producing from both the Niobrara and Pierre formations. The Company can confirm that steady progress is being made towards the execution of binding agreements which it expects to have finalised in the first half of calendar 2017.

Austin's Board and US-based Management team are focused on, and committed to, driving shareholder value and looks forward to further success in the coming quarter.

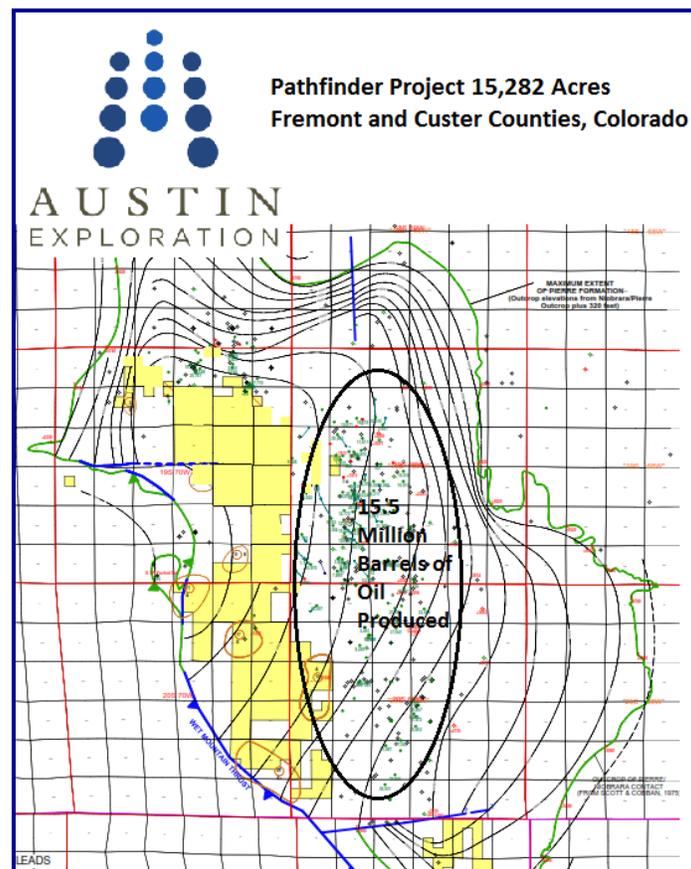
# AUSTIN EXPLORATION LIMITED

## BUSINESS UNIT REPORTS

### COLORADO BUSINESS UNIT

#### Austin is the Operator

- **Pathfinder Project, Fremont County, Colorado**
- **100% Working Interest in 15,773 acre property in the DJ Basin**
- **Primary hydrocarbon targets: Pierre Shale and Niobrara Shale Formations**
- **Secondary Targets: Codell, Greenhorn, Grenaros and Dakota Formations**



The above map illustrates Austin's 15,773 acre property highlighted in yellow. The Pathfinder property sits directly adjacent to an area in Fremont County that has produced more than 15 million barrels of oil from the Pierre formation. Austin's acreage was previously held by coal and gold mining companies and Austin believes its oil and gas reserves remain in virgin territory.

# AUSTIN EXPLORATION LIMITED

## BUSINESS UNIT REPORTS

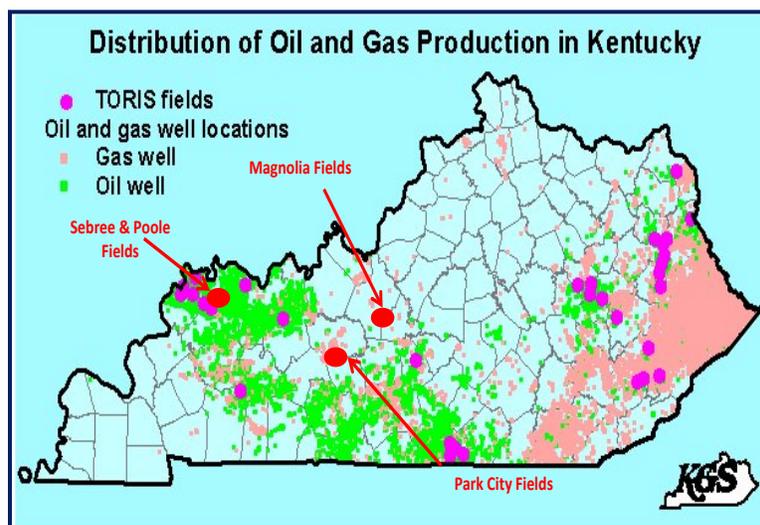
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### KENTUCKY BUSINESS UNIT

#### Austin is the Operator

*Kentucky Exploration LLC. Approx. 3000 acre 50/50 Joint Venture with a private Australian Investment Company*

- Primary Hydrocarbon targets: Jackson Formation, Cyprus Formation, Niagra Sand, and McCloskey Formation
- Secondary Targets: Palestine, Waltersburg, Fort Payne, New Albany Shale, Hardensburg Formations
- Conventional reservoir objectives and vertical drilling utilised
- Continual engineering program underway designed to maximise production and operating efficiencies
- Leases with high operational expenses and high water haulage, electricity and chemical programs have been put on idle until the price of oil recovers
- Low cost, shallow, high impact drilling program in Kentucky provides an excellent source of low-risk and long-life production, and cash flow, for the Company



The above map illustrates Austin Exploration's leases in Kentucky

## **AUSTIN EXPLORATION LIMITED**

### **BUSINESS UNIT REPORTS**

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#### **TEXAS OIL WELLS**

- **Birch Eagle Ford Project, Burleson County, Texas**
- **100% Working Interest / 75% Net Revenue Interest**
- **One producing vertical oil and gas well producing approximately 3 BOEPD**
- **Yolanda Dual Austin Chalk well, Dimmitt County, Texas**
- **36% Working Interest / 27.6% Net Revenue Interest**

#### **WORKPLACE AND ENVIRONMENTAL SAFETY**

The Company sustained a single lost-time accident in August 2016, which occurred during the drilling of the Marco Polo #1 well in Colorado. One of the workers on the rig suffered a broken wrist due to an equipment failure, but pleasingly the gentleman has made a full recovery.

In response to this accident, the Management team has institutionalised an additional safety observation process that requires every associate to complete a daily safety assessment of the environment they are working in. This assessment includes each associates observations of their surrounding area as it pertains to potential hazards and the behaviors of all personnel on site. This safety observation system facilitates the inclusion of every single person on site to assess the Company's safety posture on that day and is one additional tool in a very expansive safety program that includes comprehensive Health and Safety Policies, morning safety meetings, daily Job Safety Assessments, quarterly three-day safety training programs and weekly training programs.

The Company places a large emphasis on the safety of all people, including its own employees and external contractors, at its well sites. It is mandatory that the Company's staff attend quarterly safety sessions at its headquarters in Florence, Colorado as well as several OSHA safety programs that are held throughout the year.

This was the first lost-time accident in Austin's history, and therefore represents the only lost-time accident in the Company's 10 years of operations. While this accident is regrettable, the Company maintains an excellent safety record with only one lost-time accident occurring in its 10 years of operations and an unblemished environmental record, with no phase-one incidents ever having occurred.

## AUSTIN EXPLORATION LIMITED

### RESERVES & RESOURCES

#### INDEPENDENT CONSULTANT'S ANALYSIS

The independent oil and gas reserves and resources report below was updated in 2016 by Gustavson Associates Inc., a worldwide leader in independent oil and gas reserve and resource evaluations.

A summary of the Company's oil and gas reserves and resources is listed below:

#### Summary of Reserves and Projected Cash Flow, Colorado

Reserves Category	Net Oil, Mbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
			0%	10%
Proved Developed Non-Producing	4.50	0.00	95.62	88.47
<b>Total Proved (1P)</b>	<b>4.50</b>	<b>0.00</b>	<b>95.62</b>	<b>88.47</b>
Probable Developed Non-Producing	24.67	451.22	1,559.30	883.36
Probable Undeveloped	1,068.26	0.00	12,953.65	4,895.55
<b>Total Probable</b>	<b>1,092.93</b>	<b>451.22</b>	<b>14,512.95</b>	<b>5,778.91</b>
<b>Total Proved + Probable (2P)</b>	<b>1,097.43</b>	<b>451.22</b>	<b>14,608.56</b>	<b>5,867.38</b>
Possible Developed Non-Producing	51.37	0.00	1,482.84	1,158.76
<b>Total Proved + Probable + Possible (3P)</b>	<b>1,148.80</b>	<b>451.22</b>	<b>16,091.40</b>	<b>7,026.14</b>

#### Summary of Gross Contingent Resources, Colorado

	P <sub>90</sub> (1C)	P <sub>50</sub> (2C)	P <sub>10</sub> (3C)
Niobrara			
Contingent Oil Resources, MMBbl	15.5	19.7	24.4
Contingent Gas Resources, BCF	187.4	229.7	274.7
Pierre			
Contingent Oil Resources, MMBbl	15.0	19.1	23.7
<b>Total Contingent Oil Resources, MMBbl</b>	<b>30.5</b>	<b>38.8</b>	<b>48.1</b>
<b>Total Contingent Gas Resources, BCF</b>	<b>187.4</b>	<b>229.7</b>	<b>274.7</b>

## AUSTIN EXPLORATION LIMITED RESERVES & RESOURCES

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### Summary of Reserves and Economics, Kentucky

Reserves Category	Net Oil, MBbl	Net Gas, MMCF	Net Present Value, thousands of US\$ Discounted at	
			0%	10%
Proved Developed Producing	31.69	0.00	745.01	529.58

### Summary of Contingent Resources, Kentucky

		P <sub>90</sub> (1C)	P <sub>50</sub> (2C)	P <sub>10</sub> (3C)
Total Contingent Resources	Oil, MBO	308.8	460.6	662.8
	Gas, MMCF	75.4	142.8	257.8

### AUDITOR'S DECLARATION

The auditor's independence declaration as required under section 307C of the corporations Act 2001 is set out on page 12 of the financial report.

Signed in accordance with a resolution of the Board of Directors



Mr. Guy Goudy  
Chairman

Dated this 15<sup>th</sup> day of March 2017

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**Auditor's Independence Declaration  
To The Directors of Austin Exploration Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Austin Exploration Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. A. Mackenzie  
Partner - Audit & Assurance

Melbourne, 15 March 2017

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**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**  
**COMPREHENSIVE INCOME**

For the half-year ended 31 December 2016

		<b>Consolidated Group</b>	
		<b>31 Dec</b>	<b>31 Dec</b>
		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>			
Revenue	2	38,071	550,010
		<u>38,071</u>	<u>550,010</u>
<b>Expenses</b>			
Lease operating expense		(41,895)	(290,765)
Employee benefits expense		(203,031)	(375,182)
Share based payment expense		(152,925)	(137,300)
Depreciation and amortisation expense		(32,746)	(1,016,006)
Professional fees		(290,177)	(419,851)
Other expenses		(233,877)	(256,737)
Travel and accommodation expense		(135,797)	(48,115)
Loss on Sale/Disposal of Asset		(133)	(25,650)
Loss on Settlement of Asset Retirement Obligation		(40,984)	-
Impairment expense	4	(135,768)	(3,062,148)
		<u>(1,229,262)</u>	<u>(5,631,754)</u>
Joint venture contribution		(45,751)	(198,235)
<b>Profit/(Loss) before income tax expense</b>		(1,275,013)	(5,279,979)
Income tax expense		-	-
<b>Profit/(Loss) from continuing operations</b>		<u>(1,275,013)</u>	<u>(5,279,979)</u>
<b>Profit/(Loss) for the period</b>		<u>(1,275,013)</u>	<u>(5,279,979)</u>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to Profit or Loss			
Exchange rate differences on translating foreign operations		339,866	682,896
<b>Total comprehensive income profit/(loss) for the period net of tax</b>		<u>(935,147)</u>	<u>(4,597,083)</u>
Basic earnings per share	9	(\$0.0010)	(\$0.0152)
Diluted earnings per share	9	(\$0.0010)	(\$0.0152)

Notes to the financial statements are included on pages 17 – 24

**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2016

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>31 Dec 2016 \$</b>	<b>30 June 2016 \$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,491,331	2,050,356
Trade and other receivables		73,058	19,176
Deposit on acquisition	11	69,310	-
Other current assets		13,470	12,766
<b>TOTAL CURRENT ASSETS</b>		<u>1,647,169</u>	<u>2,082,298</u>
<b>NON-CURRENT ASSETS</b>			
Investments accounted for using the equity method		1,355,972	1,363,871
Property, plant and equipment		134,835	148,066
Development and producing assets	3	-	5,547
Exploration and evaluation assets	3	10,767,110	7,896,500
Other non-current assets		-	119,230
<b>TOTAL NON-CURRENT ASSETS</b>		<u>12,257,917</u>	<u>9,533,214</u>
<b>TOTAL ASSETS</b>		<u>13,905,086</u>	<u>11,615,512</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		452,250	324,194
<b>TOTAL CURRENT LIABILITIES</b>		<u>452,250</u>	<u>324,194</u>
<b>NON-CURRENT LIABILITIES</b>			
Other long term liabilities		-	45,582
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>-</u>	<u>45,582</u>
<b>TOTAL LIABILITIES</b>		<u>452,250</u>	<u>369,776</u>
<b>NET ASSETS</b>		<u>13,452,836</u>	<u>11,245,736</u>
<b>EQUITY</b>			
Issued capital	6	76,318,049	73,265,927
Reserves		10,345,789	9,915,798
Retained earnings / (Accumulated Losses)		<u>(73,211,002)</u>	<u>(71,935,989)</u>
<b>TOTAL EQUITY</b>		<u>13,452,836</u>	<u>11,245,736</u>

Notes to the financial statements are included on pages 17 - 24

**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half-year ended 31 December 2016

	<b>Consolidated Group</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	8,373	647,585
Payments to suppliers and employees	(827,997)	(1,219,355)
Interest received	1,193	562
Interest paid	(565)	(38,166)
Other operating activities	(60,933)	-
	<u>(879,929)</u>	<u>(609,374)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Payments for JV Investment	(9,951)	(121,048)
Payments for fixed assets	(16,069)	(6,717)
Payments for exploration expenditure	(2,494,177)	(471,787)
Payments for development expenditure	-	(823,140)
Receipts for sale of fixed assets	-	67,905
Deposit on acquisition	(66,340)	-
	<u>(2,586,537)</u>	<u>(1,354,787)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	-	230,511
Repayment of borrowings	-	(567,093)
Proceeds from the issue of ordinary shares	3,491,509	611,462
Transactions Costs	(498,733)	(200,386)
	<u>2,992,776</u>	<u>74,494</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
Net (decrease) increase in cash held	(473,690)	(1,889,667)
Cash at beginning of period	2,050,356	1,870,086
Foreign Currency movement	(85,335)	125,557
	<u>1,491,331</u>	<u>105,976</u>
Cash at end of period		

Notes to the financial statements are included on pages 17 – 24

**AUSTIN EXPLORATION LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the half-year ended 31 December 2016

	Issued Capital	Performance Rights Reserve	Foreign Currency Reserve	Retained Profits/ (losses)	Total
	\$		\$	\$	\$
<b>BALANCE AT 1 JULY 2016</b>	73,265,927	-	9,915,798	(71,935,989)	11,245,736
Issue of share capital	3,554,309	-	-	-	3,554,309
Transaction costs	(502,187)	-	-	-	(502,187)
Performance rights	-	90,125	-	-	90,125
Profit or loss	-	-	-	(1,275,013)	(1,275,013)
Other Comprehensive Income	-	-	339,866	-	339,866
<b>BALANCE AT 31 DECEMBER 2016</b>	76,318,049	90,125	10,255,664	(73,211,002)	13,452,836
<b>BALANCE AT 1 JULY 2015</b>	69,510,026	112,500	9,484,241	(65,926,132)	13,180,635
Issue of share capital	623,258	-	-	-	623,258
Transaction costs	(14,683)	-	-	-	(14,683)
Profit or loss	-	112,500	-	-	112,500
Transferred to Profit and Loss	-	-	-	(5,279,979)	(5,279,979)
Other Comprehensive Income	-	-	682,896	-	682,896
<b>BALANCE AT 31 DECEMBER 2015</b>	70,118,601	225,000	10,167,137	(71,206,111)	9,304,627

Notes to the financial statements are included on pages 17 – 24

## NOTES TO THE FINANCIAL STATEMENTS

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### **NOTE 1 – BASIS OF PREPARATION**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Austin Exploration Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

Austin Exploration Limited is domiciled in Australia. The consolidated annual financial report of the consolidated entity for the year ended 30 June 2016 is available at [www.austinexploration.com](http://www.austinexploration.com).

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of or disclosure in its half-year financial statements.

### **NOTE 2 – REVENUE FOR THE PERIOD**

The following revenue items are relevant in explaining the financial performance for the interim period:

	<b>CONSOLIDATED GROUP</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
Sale of oil and gas	36,878	549,447
Interest received	1,193	563
<b>Total</b>	<b>38,071</b>	<b>550,010</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### NOTE 3 – EXPLORATION, DEVELOPMENT AND PRODUCING ASSETS

#### Movement in Exploration and Evaluation Expenditure Capitalised

	CONSOLIDATED GROUP	
	31 December	30 June
	2016	2016
	\$	\$
Balance at beginning of year	7,896,500	6,331,552
Transfer to Development and Producing Assets	-	-
Additions	2,641,464	1,368,057
Exchange rate difference	229,146	196,891
	<b>10,767,110</b>	<b>7,896,500</b>

#### Movement in Development and Producing Assets

	CONSOLIDATED GROUP	
	31 December	30 June
	2016	2016
	\$	\$
Balance at beginning of year	5,547	3,688,047
Transfer from Exploration and Evaluation	-	-
Additions	-	812,046
Exchange rate difference	-	163,718
Sales	-	(2,572,729)
Amortisation expense	(5,547)	(958,377)
Impairment	-	(1,127,158)
	<b>-</b>	<b>5,547</b>

### NOTE 4 – IMPAIRMENT CHARGE

At each period end, the Directors' review the carrying values of the company's development and producing assets to determine whether there is any indication that those assets have been impaired. For those prospects where the Directors believed such an indication existed at period end, they compared the asset's fair value less costs to sell and value in use to the asset's carrying value. Where it was not possible to estimate the recoverable amount of an individual asset, the Directors' estimated the recoverable amount of the cash-generating unit to which the asset belongs.

The loan receivable from JV investment Kentucky Exploration LLC was impaired by AUD \$135,768 to \$0 as of 31 December 2016 and by AUD \$1,934,990 to \$0 as of 30 June 2016, as the Company's joint venture may not be able to repay this loan.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### NOTE 5 –OPERATING SEGMENTS

#### Segment Information

##### (i) Segment Performance

	6 months to 31 December 2016	6 months to 31 December 2016	6 months to 31 December 2016	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	1,192	36,879	-	38,071
Segment net (loss)/profit before tax	(503,848)	(725,414)	(45,751)	(1,275,013)
	6 months to 31 December 2015	6 months to 31 December 2015	6 months to 31 December 2015	Total
	Australia	US Subsidiary	US Joint Venture	
	\$	\$	\$	\$
Total segment revenue	527	549,483	-	550,010
Segment net (loss)/profit before tax	(428,926)	(4,652,818)	(198,235)	(5,279,979)

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### (ii) Segment Assets

	Australia	USA	Total
	31 December 2016	31 December 2016	31 December 2016
	\$	\$	\$
<b>Segment Assets</b>	54,203,405	12,413,517	66,616,922
Inter segment elimination	(52,711,836)		- (52,711,836)
	<b>1,491,569</b>	<b>12,413,517</b>	<b>13,905,086</b>

	Australia	USA	Total
	30 June 2016	30 June 2016	30 June 2016
	\$	\$	\$
<b>Segment Assets</b>	51,580,909	11,359,262	62,940,171
Inter segment elimination	(51,324,659)		- (51,324,659)
	<b>256,250</b>	<b>11,359,262</b>	<b>11,615,512</b>

### (iii) Segment Liabilities

	Australia	USA	Total
	31 December 2016	31 December 2016	31 December 2016
	\$	\$	\$
<b>Segment Liabilities</b>	88,228	82,575,397	82,663,625
Inter segment elimination		- (82,211,375)	(82,211,375)
	<b>88,228</b>	<b>364,022</b>	<b>452,250</b>

	Australia	USA	Total
	30 June 2016	30 June 2016	30 June 2016
	\$	\$	\$
<b>Segment Liabilities</b>	104,018	78,744,252	78,848,270
Inter segment elimination		- (78,478,494)	(78,478,494)
	<b>104,018</b>	<b>265,758</b>	<b>369,776</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### NOTE 6 – ISSUED CAPITAL

#### Ordinary Shares

	Number	\$
<b>6 months to 31 December 2016</b>		
As at 1 July 2016	1,073,679,902	73,265,927
Issue of 2,500,000 shares @ \$0.004 per share	2,500,000	10,000
Issue of 42,914,142 shares @ \$0.007 per share	42,914,142	300,399
Issue of 220,166,666 shares @ \$0.006 per share	220,166,666	1,321,000
Issue of 31,650,000 shares @ \$0.006 per share	31,650,000	189,900
Issue of 15,000 shares @ \$0.006 per share	15,000	90
Issue of 3,334 shares @ \$0.006 per share	3,334	20
Issue of 24,166,667 shares @ \$0.006 per share	24,166,667	145,000
Issue of 150,000 shares @ \$0.006 per share	150,000	900
Issue of 500,000 shares @ \$0.006 per share	500,000	3,000
Issue of 202,500,000 shares @ \$0.006 per share	202,500,000	1,215,000
Issue of 47,500,000 shares @ \$0.006 per share	47,500,000	285,000
Issue of 14,000,000 shares @ \$0.006 per share	14,000,000	84,000
Less: Costs of Capital Raising	-	(502,187)
At 31 December 2016	<b>1,659,745,711</b>	<b>76,318,049</b>
<b>6 months to 31 December 2015</b>		
As at 1 July 2015	332,607,790	69,510,026
Issue of 41,550,565 shares @ 0.015 per share	41,550,565	623,258
Less: Costs of Capital Raising	-	(14,683)
At 31 December 2015	<b>374,158,355</b>	<b>70,118,601</b>

During the six month period ending 31 December 2016, shares were issued in connection with fundraising, options were exercised, and some stock related service invoices were paid in shares.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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### Options

	Number
<b>6 months to 31 December 2016</b>	
As at 1 July 2016	477,237,129
- Listed Options	144,946,094
- Unlisted Options	48,400,000
At 31 December 2016	<b>670,583,223</b>
	Number
<b>6 months to 31 December 2015</b>	
As at 1 July 2015	0
- Listed Options	19,689,493
At 31 December 2015	<b>19,689,493</b>

### **NOTE 7 – RELATED PARTIES**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### **Transactions with Director-related Entities**

During the period the Group utilised the services of Math Energy Drilling for the provision of drilling services below commercial rates. To the reporting date the costs of these services was AUD \$89,559 excluding GST. Mr. Mark Hart is a director of Math Energy Drilling.

During the period the Group utilised the services of CFO Colorado Accounting & Tax Services for the provision of accounting and taxation services at commercial rates. To the reporting date the costs of these services was AUD \$75,859 excluding GST. Mr. Lonny Haugen is the President of CFO Colorado Accounting & Tax Services.

### **NOTE 8 – CONTINGENT LIABILITIES**

There has been no material change to contingent liabilities since the last annual reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

### NOTE 9 – EARNINGS PER SHARE & DILUTED EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	31 December 2016	31 December 2015
	\$	\$
Net loss attributed to ordinary equity holders	(1,275,013)	(5,279,979)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,257,256,584	347,511,797
Basic Earnings per share	(\$0.0010)	(\$0.0152)
Diluted Earnings per Share	(\$0.0010)	(\$0.0152)

The options held by option holders have not been included in the weighted average number of ordinary shares for the purpose of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 "Earnings per Share". The options are non-dilutive as the consolidated entity is loss generating.

### NOTE 10 – GOING CONCERN

The financial report has been prepared on the basis of a going concern. The Group had net cash outflows for the six months ended 31 December 2016 of AUD \$473,690 and a closing cash position of AUD \$1,491,331.

The Group's ability to continue as a going concern is contingent upon successfully raising additional capital and successful drilling activities. If the company is not successful in these matters, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

As of 22 February 2017, the Company has successfully placed the shortfall from its recently completed priority offer that raised in excess of AUD \$1.5M (before costs). The priority offer was completed under the cover of the Prospectus dated 16 December 2016. The priority offer ensures the company is funded to complete the acquisition of an additional 2,435 acres of the Florence Oilfield from Incremental Oil & Gas. The acquisition further strengthens Austin's ownership position over the Florence Oil Field as it moves to fully develop the 450 plus well locations each with NPV's of circa \$1.4M net to Austin. Given the strong production results already reported over the acquisition area, the Company looks forward to reporting complementary results from the upcoming development drilling program.

The Company has successfully demonstrated the ability to raise capital through equity markets. The oil price has increased to the USD \$48 - \$53 range and market conditions for raising capital have improved. As such, the Company believes it will be able to raise further capital to fund the Company's on-going operations.

## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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The Company is debt free and continues to keep costs down. The Company's goal is to maintain a positive margin regardless of selling price.

### ***NOTE 11 – EVENTS OCCURRING AFTER THE REPORTING DATE***

The following significant non-adjusting events have occurred between the reporting date and the date of authorization:

The Company signed a purchase and sale agreement on 3 March 2017 for the purchase of certain oil and gas leases, wells, and other oil and gas mineral interests pertaining to lands in Fremont County, Colorado from Oil and Gas USA Holdings, Inc. effective 31 December 2016. A non-refundable USD \$50,000 deposit was paid to Incremental on 6 December 2016. An additional refundable deposit of USD \$150,000 was made on 3 March 2017. Due diligence is in process. The scheduled closing date of the purchase is 24 April 2017.

On 20 February 2017, the Priority Offer closed raising \$576,158 (93,526,373 shares) before costs leaving a Shortfall of \$938,842 (153,973,629 shares). Confirmed applications of the Shortfall including allowable over subscriptions have now been received and subject to settlement raises the Company an additional \$1,000,000 (166,666,667 shares) before costs. All issues under the Priority Offer and shortfall will be issued an additional free 1:4 attaching 2019 AKKOA option. This completes the fundraising activities for the acquisition of an additional 2,435 acres of the Florence Oilfield from Incremental Oil & Gas.

## DIRECTOR'S DECLARATION

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The directors of the Group declare that:

1. The financial Statements and Notes, as set out on pages 13 to 24 are in accordance with the Corporations Act 2001,
  - a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016, and of its performance for the half year ended on that date; and
  - b) Complying with Accounting Standard AASB 134 "Interim Financial Reporting"; and
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr Guy Goudy  
Chairman

Dated this 15<sup>th</sup> day of March 2017

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## Independent Auditor's Review Report To The Members of Austin Exploration Limited

We have reviewed the accompanying half-year financial report of Austin Exploration Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-year Financial Report

The Directors of Austin Exploration Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Austin Exploration Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austin Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Exploration Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Material Uncertainty related to Going Concern

We draw attention to Note 10 to the interim financial report which notes net cash outflows of \$473,690 and a closing cash position of \$1,491,331 for the period ended 31 December 2016. These conditions, along with other matters set forth in Note 10, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in relation to this matter.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B. A. Mackenzie  
Partner - Audit & Assurance

Melbourne, 15 March 2017